

Message Text

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ACTION ARA-20

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EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9876

C O N F I D E N T I A L BRASILIA 6355

FOLLOWING MESSAGE SENT ACTION BRASILIA FROM RIO SEP 27 BEING
REPEATED FOR YOUR ACTION

QUOTE RIO DE JANEIRO 3606

E.O. 11652: GBS

TAGS: ENRG, LY, BR

SUBJECT: PETROLEUM: BUNKER HUNT NATIONALIZATION

REF: RIO 2811; BRASILIA 5090

1. BOTH RIO'S JORNAL DO BRAZIL AND O GLOBO OF SEPTEMBER
27 CARRIED REPORT THAT THE GUANABARA STATE TRIBUNAL OF JUSTICE
(STATE COURT OF APPEALS) WILL NOW UNDERTAKE TO DECIDE WHETHER
BRAZILIAN STATE OR FEDERAL COURTS ARE COMPETENT TO RECEIVE
BP/BUNKER HUNT ACTION AGAINST PETROBRAS' IMPORTATION OF
LIBYAN PETROLEUM.

2. SUMMARIZING ACTIONS TO DATE, THE ARTICLES NOTED UNWILLING-
NESS OF GUANABARA'S 14TH CIVIL COURT (COURT OF FIRST INSTANCE)
TO DECIDE ISSUE OF JURISDICTION. THEY QUOTED BP/BUNKER
HUNT CONTENTIONS THAT PETROBRAS ESSENTIALLY WAS PRIVATE
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COMPANY, DESPITE GOVERNMENT HOLDINGS, AND THAT FEDERAL INTEREST

WOULD BE SIGNIFICANT ONLY IF "FEDERAL POWER WERE TO ENTER INTO CASE AS CO-LITIGANT, WILLING TO ACCEPT CONSEQUENCES OF ANY DECISION AGAINST IT." FEDERAL GOVERNMENT AND PETROBRAS ARE EXPECTED TO PRESENT VIEWS SOON, AFTER WHICH TRIBUNAL OF JUSTICE WILL FORMALLY RECEIVE THE ISSUE FOR DECISION.

3. BP/BH BRAZILIAN LAWYER NABUCO SAID ARTICLES WERE ESSENTIALLY CORRECT, AND THAT THESE ACTIONS REPRESENTED NORMAL LEGAL PROCESSES. HOWEVER, WHATEVER THE OUTCOME, FURTHER APPEALS ARE POSSIBLE, ALMOST CERTAINLY THERE IS LITTLE LIKELIHOOD OF ANY RAPID SOLUTION.

4. IN DISCUSSING GENERAL SITUATION, UK CONGEN OFFICER RIO SAID THAT ADMIRAL FARIA LIMA, PRESIDENT OF PETROBRAS, TOLD THEM WITHIN LAST DAY OR SO THAT PETROBRAS DEFINITELY PLANNING CONTINUE PURCHASES OF LIBYAN OIL. IT WOULD NOT CONSIDER EITHER ALTERNATIVE SOURCES OF CRUDE OR ANY POSSIBLE "BUY-BACK" ARRANGEMENTS. APPARENTLY HE HARBORS STRONG FEELINGS THAT PETROBRAS IS NOT GETTING EVEN-HANDED TREATMENT FROM COMPANIES. HE REPORTEDLY CITED THREE COMPANIES PRINCIPALLY ESSO AND SHELL, BUT ALSO ATLANTIC WHICH DESPITE THEIR HAVING BEEN ALLOWED ESTABLISH MARKETING ORGANIZATIONS IN BRAZIL, ARE ALLEGEDLY PARING DOWN SUPPLIES AND ARE DELIVERING CRUDE SHORT TO BRAZIL IN VIOLATION FIRM CONTRACTUAL COMMITMENTS. FARIA LIMA REPORTEDLY SAID CATEGORICALLY "CONTRACTS WITH THEM ARE NOT WORTH PAPER THEY'RE WRITTEN ON." HE IN EFFECT APPEARS TO BELIEVE THE MAJORS HAVE DRIVEN PETROBRAS INTO ITS PRESENT POSITION OF HAVING TO RELY ON LIBYAN CRUDE. TENOR OF HIS REMARKS LEFT LITTLE DOUBT IN MINDS OF BRITISH THAT HE WILL MAINTAIN FIRM POSITION AGAINST U.S. OR UK PRESSURE ON THIS ISSUE.

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UNQUOTE
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